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C O N F I D E N T I A L TEGUCIGALPA 4585

EO 12065: GDS 6/1/88 (NEGROPONTE, JOHN D) DR-M
TAGS: EAID EAGR PEPR MC MILI MASS
SUBJ: HONDURAN AID NEEDS: RECOMMENDED ACTIONS

REF: TEGUCIGALPA 4574

1. CONFIDENTIAL - ENTIRE TEXT
2. REFTEL REPORTED OBSERVATIONS OF KEY GOH MINISTER ON GOH ECONOMIC PROBLEMS AND DISSATISFACTION OVER U.S. AID LEVELS. WHILE REMEDIES COULD APPEAR TO BE FEW AND FAR BETWEEN, WE SUGGEST THE FOLLOWING FOR DEPARTMENT'S CONSIDERATION.
3. FIRST, ON CBI WE WONDER IF HONDURAS MIGHT NOT BE ELIGIBLE FOR LARGER SHARE THAN CURRENTLY PLANNED \$35 MILLION. THE ARGUMENTS ARE BOTH ECONOMIC AND POLITICALS. SECOND POOREST COUNTRY IN THE REGION: BALANCE OF PAYMENTS SITUATION JUSTIFIES MORE ASSISTANCE; AND NEW GOVERNMENT HAS MADE GENUINE GOOD FAITH EFFORT TO REDUCE BUDGET DEFICIT AND REACHED AGREEMENT WITH IMF. POLITICALLY, FIRST YEAR IS KEY IN TRANSITION TO DEMOCRATIC RULE; PROXIMITY TO NICARAGUA AND EL SALVADOR JUSTIFY CONSIDERATION; AND ABOVE ALL CLOSE POLITICO/MILITARY IDENTIFICATION WITH USG.
4. SECOND, SOME SORT OF QUICK FIX AS A RESPONSE TO GOH IMMEDIATE FINANCIAL PROBLEM PENDING APPROVAL OF CBI. ANY CHANCE OF REPROGRAMMING \$20-25 MILLION IN ESF TO HONDURAS ON AN URGENT BASIS OVER AND ABOVE CBI FUNDS? SITUATION IN HONDURAS IS SUCH THAT RAPID ASSISTANCE OF THIS KIND COULD HAVE DRAMATIC AND IMMEDIATE ECONOMIC AND POLITICAL PAYOFF.
5. THIRD, SOME RELIEF ON SUGAR QUOTAS EITHER THROUGH COMPENSATION, EXEMPTING FROM QUOTAS ALL SUGAR PURCHASED PRIOR TO THEIR IMPOSITION OR SOME COMBINATION OF BOTH. HONDURAS, FOR EXAMPLE, SOLD 10,000 TONS TO U.S. IMPORTER AT TURN OF THE YEAR WHICH STILL HASN'T BEEN SHIPPED. ALSO, IF SALVADOR AND GUATEMALA DON'T FILL THEIR QUOTAS, PERHAPS UNFILLED PORTION CAN BE REDISTRIBUTED TO HONDURAS. FINALLY, WE STILL QUESTION WISDOM IN POLITICAL TERMS OF ASSIGNING NICARAGUA TWICE THE SUGAR QUOTA RECEIVED BY HONDURAS. IT IS INEXPLICABLE TO HONDURAS.
6. FOURTH, CAN WE PERSUADE VENEZUELA AND COLOMBIA TO CONSIDER JACKING UP THEIR AID TO HONDURAS? HONDURAS HAS ESPECIALLY HOPED THAT VENEZUELA COULD PLAY THE TYPE OF GUARANTOR ROLE TOWARDS ITS ECONOMY THAT MEXICO HAS PLAYED FOR NICARAGUA.
7. FIFTH, SUCCESSFUL EFFORT TO ACHIEVE MILITARY SUPPLEMENTARY

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APPROPRIATION WOULD HAVE MAJOR IMPACT HERE IN TERMS OF MEETING HONDURAN MILITARY ASSISTANCE NEEDS AND CREATING VALUABLE ALLY WITHIN RANKS OF DOCTOR SUAZO'S MOST IMPORTANT ADVISORS. AT THE MOMENT, GOH MILITARY IS GRUMBLING ALMOST AS MUCH AS THE CIVILIAN BRANCH, THOUGH ADMITTEDLY THE FALKLANDS CRISIS PLAYS A MAJOR ROLE IN THIS.

8. SIXTH, WOULD IT BE POSSIBLE TO ACCELERATE SPENDING OF MILCON FUNDS FOR AIRFIELD IMPROVEMENTS ONCE FUNDS HAVE BEEN RESTORED IN CONFERENCE? FOR EXAMPLE, COULD FY-82 FUNDS BE USED TO BEGIN WORK DURING WHAT REMAINS OF THIS FISCAL YEAR? EVERY LITTLE BIT COULD HELP.

9. SEVENTH, SINCE WE ARE CONSTANTLY HIT OVER HEAD WITH NEGATIVE COMPARISONS OF U.S. ASSISTANCE HERE AND PRESS ACCOUNTS OF MASSIVE SOVIET AID COMMITMENTS TO NICARAGUA, WOULD THE DEPARTMENT PLEASE PREPARE FOR OUR USE THE MOST DEVASTATING POSSIBLE ANALYSIS OF ACTUAL SOVIET AID TO NICARAGUA AND NICARAGUAN ECONOMIC SITUATION WHICH WE COULD GIVE TO GOH?.

NEGROPONTE

END OF MESSAGE

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